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Fifty-third session

REPORT ON OVERSIGHT ACTIVITIES

This report contains three separate sections as follows:

- Evaluation and policy analysis (Section I);
- Inspection and investigation activities (Section II);
- General audit (Section III).

Section I and II are based on reports presented to the Standing Committee at its twenty-third meeting (EC/52/SC/CRP.7 and CRP.12, respectively).

Section III (General audit) is a new addition, and concerns activities undertaken within the framework of UNHCR's internal audit.

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SECTION I

EVALUATION AND POLICY ANALYSIS: UNHCR'S PLAN AND ACTIVITIES

1. Information contained in this section comprises three distinct parts. The first describes the range of recent measures that have been taken to enhance the capacity, effectiveness and impact of UNHCR's evaluation function. The second provides an account of the organization's efforts to consolidate and build upon those initiatives through the introduction of a formal evaluation policy statement. The final part identifies the principal evaluation projects that UNHCR has undertaken or initiated over the past year, as well as the steps being taken to employ the findings and recommendations of those evaluations for the purposes of policymaking, planning and programming.

A. RECENT DEVELOPMENTS IN THE EVALUATION FUNCTION

2. Since the end of the 1990s, UNHCR has made a concerted effort to revitalize and reinforce its evaluation function, with the intention of enhancing its capacity for organizational learning and performance review, as well as its accountability to refugees and other key stakeholders. A wide range of measures have been taken in pursuit of these objectives, including (but not limited to) the following:

(a) the establishment and progressive strengthening of the Evaluation and Policy Analysis Unit (EPAU), which reports directly to the Assistant High Commissioner for Refugees and which has overall responsibility for the management and development of the evaluation function in UNHCR;

(b) the introduction of an evaluation mission statement, committing UNHCR to the highest possible degree of transparency and consultation in the conduct of its evaluation activities, including the placement of all evaluation findings and recommendations in the public domain;

(c) the implementation of a plan of action for the development and devolution of the evaluation function, with the intention of providing UNHCR's functional units, regional bureaux and field offices with the tools and resources needed to play a more active role in the analysis and assessment of the organization's work;

(d) the establishment of a flexible and rolling evaluation work programme, focusing on those policy issues, programmes, projects and practices which are of most direct concern to UNHCR's management and key stakeholders;

(e) the establishment of Steering Committees, consisting of key stakeholders within and outside UNHCR, to guide and supervise the progress of each major evaluation project, and to ensure the effective utilization of evaluation findings and recommendations;

(f) the extensive use of external evaluation consultants, and the selection of such consultants by means of open and competitive bidding procedures, so as to maximize the independence and quality of UNHCR's evaluation activities;

(g) the introduction of lessons-learned exercises at the completion of major evaluation projects, undertaken with the purpose of reviewing and improving the evaluation procedures, methods and management controls employed by UNHCR.

(h) the employment of innovative and interactive evaluation methods, including 'real-time' evaluations of UNHCR's emergency operations; 'beneficiary-based' evaluations of long-term programmes; facilitated self-evaluation workshops at field level; as well as joint and inter-agency evaluation projects, conducted in association with other humanitarian actors;

(i) the active involvement of EPAU staff members in UNHCR's strategic planning, policymaking and partnership functions, enabling the organization to make more immediate and effective use of the findings and recommendations which emanate from evaluation projects; and,

(j) the expansion of the evaluation function to include analytical and research-based activities which are intended to provide UNHCR and its partners with a better understanding of the political, institutional, operational and policy environments in which they are obliged to work.

B. UNHCR'S EVALUATION POLICY

3. In order to consolidate and build upon the developments described above, UNHCR will shortly introduce a formal evaluation policy statement. Based upon an independent review of EPAU's work, as well as a year-long process of internal discussion and stakeholder consultation, it is hoped that the policy statement will be issued by the time of the June 2002 meeting of the Standing Committee. As with all other documents prepared by EPAU, the policy statement will be available in hard copy to all interested parties and will be freely accessible on the Evaluation and Policy Analysis page of the UNHCR website, <www.unhcr.ch>.

4. The forthcoming evaluation policy statement addresses four principal issues. First, it describes the *role of evaluation in UNHCR*, stressing the need for evaluation activities to be effectively coordinated with other components of the organization's performance review and learning frameworks. The policy statement identifies the primary purposes for which evaluation is used in UNHCR, and elaborates upon the key principles on which all of the organization's evaluation activities will be based: transparency, independence, consultation, relevance and integrity.

5. A second function of the evaluation policy statement is to specify *UNHCR's commitment to evaluation*, in terms of the level, types, resourcing and quality of evaluation activity undertaken by the organization. In brief, the policy envisages a phased expansion of the evaluation function, with specific obligations being placed upon EPAU, UNHCR's regional bureaux and its larger field offices.

6. Third, the evaluation policy statement provides a procedural and managerial framework for the *conduct of evaluation in UNHCR*. In this respect, the document addresses issues such as the content of the terms of reference to be established for each evaluation project; the composition and required competence of evaluation teams engaged by UNHCR; the nature of the competitive bidding procedures used to award evaluation contracts; the role

of evaluation Steering Committees; as well as the consultative, quality control, management response and dissemination mechanisms that will be built into the design of all evaluation projects. This part of the policy statement also commits UNHCR to a 'utilization focused' approach to evaluation, whereby the intended use of findings and recommendations is taken into full account during the planning and design of each evaluation project.

7. A fourth and final purpose of the policy statement is to define the role, responsibilities and working methods of the Evaluation and Policy Analysis Unit. The document sets out the procedure to be used for the selection and approval of new evaluation projects. It also envisages the establishment of a new Evaluation Advisory Group. Consisting of representatives from the Executive Committee, the UN system, the NGO and research communities, the Advisory Group will advise EPAU on the development and effective utilization of UNHCR's evaluation activities.

8. Finally, the document requests Executive Committee members and observers to coordinate their own evaluation activities with EPAU and encourages them to conduct those activities in accordance with the evaluation principles and standards set out in the UNHCR policy statement.

C. EVALUATION PROJECTS AND ACTIVITIES

9. During the period under review, UNHCR's evaluation function has focused on a number of global operational and policy issues which are of particular concern to the organization and its partners. The following paragraphs identify those issues and provide a brief description of the evaluation projects and activities that have been undertaken or initiated with respect to each of those themes. The planned evaluation projects identified in this section are subject to further review. Updated details of UNHCR's evaluation and policy analysis work programme can be formed on the Evaluation and Policy Analysis page of the UNHCR website.

Refugee Children

10. The impact of UNHCR's activities in meeting the *rights and protection needs of refugee children* has been the subject of a major independent evaluation over the past 18 months. Undertaken by an eight-person team of international experts, who visited nine different field operations, the report of this evaluation project was published in May 2002, prior to relevant discussions at the UN Special Session on Children in New York and the Global Consultations on International Protection in Geneva.

11. The Assistant High Commissioner for Refugees, in association with the Division of Operational Support (DOS), Department of International Protection (DIP) and the project's Steering Committee, will assume responsibility for drawing up a global plan of action, based on the evaluation's findings and recommendations. That plan of action will also be coordinated with UNHCR's current efforts to address and prevent the sexual exploitation of refugee girls, a problem which has recently come to the fore in the West Africa region.

12. With regard to the needs of younger refugees, the period under review also witnessed the publication of a book by EPAU and DOS, titled 'Learning for a Future: Refugee Education in Developing Countries'. Focusing on issues

such as emergency education, peace education, the quality of refugee education and vocational training, the volume presents the findings and recommendations of an evaluation and research project sponsored by an Executive Committee member.

13. A principal finding of the independent evaluation on refugee children is UNHCR's limited capacity in the realm of *community services and social protection*. These issues will be addressed more systematically in a recently initiated global review of the organization's community services function. It is hoped that the initial findings of this review, which will be supported by more specific community services evaluation projects in India, Tanzania and Zambia, will be presented to the October 2002 meeting of the Executive Committee.

Durable solutions for refugees

14. In recent months, the High Commissioner has given renewed consideration to UNHCR's role in finding *durable solutions for refugees*, with a particular emphasis on the organization's efforts to *promote self-reliance* in areas of displacement. A number of recent, current and planned evaluation projects are contributing to this initiative. These include a global review of UNHCR's role in protracted refugee situations, which has been undertaken in close consultation with the Reintegration and Local Settlement Section and the Regional Bureau for Africa.

15. In addition, EPAU has completed an analysis of the potential for local integration as a solution to refugee problems, which has been used as the basis for a paper that will be discussed at the Global Consultations on International Protection; as well as lessons-learned reviews of UNHCR reintegration programmes in four African and Asian countries. Evaluations are also under consideration with respect to durable solutions programmes for refugees in Central Asia, and economic revitalization programmes in areas of displacement in the Caucasus.

Internally displaced populations

16. The international community's role in *meeting the needs of internally displaced populations* has been the subject of increased analysis and discussion in recent times. EPAU has sought to relate that debate to UNHCR's mandate and operational activities by undertaking evaluations of the organization's programmes in Angola (in association with DIP) and Sri Lanka (in association with the UK's Department for International Development). A review of the UNHCR programme in Colombia is also planned.

17. UNHCR's work with internally displaced populations will be the subject of a more detailed and global analysis in May 2002, when EPAU and DIP will jointly convene a two-day workshop titled 'Protection and solutions in situations of internal displacement: learning from UNHCR's operational experience'. Bringing together UNHCR staff from a dozen different operations around the world, and involving personnel from several other humanitarian agencies, the workshop will identify and share examples of good operational practice. It will also review the utility of UNHCR's operational guidelines for UNHCR's involvement with internally displaced persons, as well as the UN's Guiding Principles on Internal Displacement.

Emergency preparedness and response capacity

18. The issue of *UNHCR's emergency preparedness and response capacity* continues to be a major feature of the EPAU work programme. Soon after the events of 11 September 2001, UNHCR made a commitment to undertake a 'real-time' evaluation of its response to the crisis in Afghanistan and neighbouring countries.

19. This initiative has led to the preparation of three real-time evaluation bulletins, providing senior managers at Headquarters and the field with findings and recommendations that can be put to immediate operational use. Given the degree of interest in the 'real-time' evaluation concept amongst other humanitarian actors, EPAU has prepared a brief paper titled 'Real-time humanitarian evaluations: some frequently asked questions'.

20. As a result of findings presented in the real-time evaluation on Afghanistan, a more detailed and global review of UNHCR's emergency procurement, delivery and stockpiling arrangements has been launched. It is planned for completion in the second half of 2002.

Refugee women

21. An important focus of UNHCR's evaluation work programme has been and continues to be the *protection and welfare of refugee women*. In this context, EPAU has supported an assessment of UNHCR's work in this domain, sponsored by two Executive Committee members and undertaken by the Women's Commission on Refugee Women and Children. Publication of this assessment is expected by the time of the June 2002 meeting of the Standing Committee.

22. Other completed, current and forthcoming projects in this area include an independent evaluation of UNHCR's efforts to address the problem of sexual violence in Dadaab, Kenya; an independent evaluation of the Kosovo Women's Initiative; and a forthcoming workshop that will compare and assess the women's initiatives undertaken by UNHCR in Bosnia, Kosovo and Rwanda. EPAU is also assisting DOS to coordinate an inter-agency evaluation initiative that is designed to assess and improve the reproductive health services provided to refugees.

Other themes

23. In addition to the themes and projects identified above, EPAU continues to provide UNHCR with evaluation and analysis in a number of other areas. These include the implementation of the organization's policy on *refugees in urban areas;* the interface between *asylum and international migration,* including the issues of human smuggling, transit migration and the 'secondary movement' of refugees; the issue of *standards and quality in humanitarian assistance;* and finally, the problem of *security in refugee-populated areas,* especially those areas where bona fide refugees are mixed with armed elements.

D. CONCLUSION

24. Looking to the future, EPAU will in the months to come focus special attention on the introduction of UNHCR's evaluation policy, including the development of those tools and training activities which are required for the policy to be effectively implemented. At the same time, the unit will develop a programme of work for the coming year that is linked to the strategic priorities of UNHCR and its partners. In this respect, UNHCR welcomes any suggestions from Executive Committee members concerning specific evaluation projects which the organization might initiate in the course of the next twelve months.

SECTION II

INSPECTION AND INVESTIGATION ACTIVITIES

A. INTRODUCTION

1. The Office of the Inspector General (IGO) was established in 1994 to strengthen UNHCR's oversight capacity to assess, monitor and recommend improvements in operational management. Apart from inspections, IGO has overall responsibility for investigations throughout UNHCR and may be called upon to conduct inquiries into events which have endangered the lives or caused the death of staff members while on official duties.

2. The principles underlying the work of the IGO are independence, objectivity and appropriate confidentiality. IGO staff members are also required to demonstrate high professional competence in all aspects and phases of inspections, investigations and inquiries. Currently, the IGO staff comprises the Inspector General, four senior inspectors and a new three-person investigation unit. This team is assisted by two support staff.

3. During the reporting period covering May 2001 to April 2002, IGO undertook 13 inspections and conducted eight investigations. Since December 2001 investigation activities have been dominated by the allegations of sexual exploitation of refugee children in West Africa and the report from the UN Office of Internal Oversight Services (OIOS) to the General Assembly on the investigation into corruption in resettlement at UNHCR Nairobi Office. IGO also worked at redefining its investigation strategy.

B. INSPECTIONS

4. The inspection function is defined as 'a comprehensive, systematic and timely assessment of the management of UNHCR operations, and review of the UNHCR impact in given countries and regions, focusing particularly on those factors, both internal and external to the organisation, deemed essential to the effective and efficient achievement of organisational objectives.' Inspections are an internal oversight and management tool that provides the High Commissioner and his senior managers with a broad review of the functioning of his field representation at all levels. Inspections also provide UNHCR field offices with an independent and objective review of their performance and, where necessary, with a second opinion on difficult issues.

5. Since May 2001, IGO has conducted inspections in Botswana, the Democratic Republic of the Congo, Djibouti, Eritrea, Ghana, South Africa, Namibia, the Republic of the Congo, Zambia, India, Azerbaijan, Armenia and Russia. Plans are in hand to inspect Bangladesh, China, Hong Kong, Myanmar, Nepal, Pakistan, Kenya, Jordan, Lebanon and Syria in the remainder of 2002.

Needs identified for follow-up

6. In June 2001 the Inspector General reported to the High Commissioner on recurrent observations from inspections of UNHCR operations in 26 countries between March 1999 and March 2000. This report made a number of broad management observations and/or recommendations under the themes of Protection, Programme, Administration and Overall Management. It was shared

with UNHCR Directors with a request for comments on implementation. The observations, a summary of the conclusions drawn from the responses, and proposals for follow-up action are now being considered by senior management.

7. Recent inspections indicate similar observations, including:

a) The need to ensure that the right staff are in the right place, with adequate support and training - including protection staffing. In many operations there are gaps in staffing which adversely affect field operations, frequently leading to an inadequate presence of UNHCR staff (particularly international staff) in remote, and often insecure, refugee camps. In addition, staff are often not provided with the training they need to undertake the functions assigned to them, including the areas of administration, protection and programme.

b) Regional coordination in many operations could be improved through identification of common issues and implementation of common policies, notably with respect to similar caseloads, resettlement, repatriation, and assistance, as well as sharing of good practices.

c) Significant weaknesses have been found in a number of countries where UNHCR is directly involved in refugee status determination (RSD), particularly where this is linked to resettlement. It should be noted however that this is an area where a great deal of work is being done to reduce the risks inherent in RSD and resettlement.

d) There are wide variations in approach between offices towards urban refugees, including between persons from the same country of origin.

e) Not all offices have the benefit of access to experienced registration staff or to past lessons from registration, and often lack timely support. In addition, UNHCR needs to develop a global system to record refugee registration data.

f) There is a need to clarify policy and support to education. At present this can vary widely for refugees from the same country depending on where they sought refuge in a given country of asylum. The same has been observed between countries of asylum and among refugees from different countries of origin.

g) In most offices inspected, security ensured relatively adequate protection, but was not of a comparable standard to that offered to some other offices and embassies visited. In most cases, security awareness and consciousness, including basic security training, relocation exercises, backup for security officers, medical evacuation plans and basic firedrill training need to be reinforced for all staff at all locations. Minimum operating conditions need to be identified for each remote and/or insecure field location and must be adhered to.

h) There is a need in many operations to concentrate on building and strengthening partnerships with government counterparts, with NGOs, with refugees, with other actors within civil society.

i) There is a lack of attention paid to programmes to counter/prevent sexual and gender-based violence as well as inadequate clothing and personal hygiene supplies (soap and sanitary protection) for refugee girls and women. Unless these issues are addressed, refugee women and girls will never be fully protected or empowered.

Good practices

8. In the course of inspections, IGO noticed a significant number of good practices which should be shared, adapted or replicated in other UNHCR operations. These include, but are certainly not restricted to:

a) In Armenia, UNHCR has played an important role in building up and strengthening the institutional capacities of government structures dealing with refugees and displaced persons, as well as local NGOs. Documenting this experience will assist other offices in planning capacity-building activities.

b) In Azerbaijan, a yearly staff retreat provides a forum for discussion of any workplace- related issues and the adoption of a plan of action to redress any problems identified. This has contributed to a highly motivated and coordinated team.

c) The community service approach in Botswana empowers refugee women through income-generating activities. It is believed that this has reduced the level of commercial sex within the refugee population.

d) The Democratic Republic of the Congo, which highlights nearly all the problems which can be faced by a complex operation in an insecure region, has resolved a frequent food problem for polygamous families by providing separate ration cards to second and third wives. In another part of the operation an income-generating project makes sanitary protection for refugee women and girls.

e) A regional Eminent Persons Group, involving prominent persons with experience and interest in refugee and refugee-related issues has been set up in India, Bangladesh, Nepal, Sri Lanka and Pakistan. This has facilitated UNHCR advocacy activities in these countries.

f) In Zambia, there is an exemplary computerised urban refugee registration system in place. This permits the rapid (and accurate) identification of recognised refugees by the authorities, and has stopped the circulation of false documentation.

g) The procedures put in place for resettlement in Zambia could provide the basis for a regional system for Southern Africa, where resettlement is still in small numbers.

Review of inspection policy, practice and capacity

9. Eight years after its establishment, there is a need to review UNHCR's inspection policy, practice and capacity. For instance, IGO's original goal of inspecting each UNHCR country programme once every five or six years has not been achieved. After eight years IGO has undertaken inspections of UNHCR operations in 86 countries, but with others yet to be inspected. Inspection

findings need to reach a wider external audience whilst maintaining the necessary confidentiality. Common observations from inspections should be more widely circulated and fed into policy discussions, as well as a review of accountability for compliance with both specific and general recommendations. Procedures for sharing good practices need to be developed. In addition, a review is overdue of our standard inspection practices, questionnaires and inspection information.

10. There are increasing needs for follow-up and special inspections. Follow-up or compliance missions are necessary when an inspection reveals serious operational concerns, or where there is a significant impact of the rapidly changing environment in which UNHCR operates. In addition, certain events or incidents may require the unexpected and urgent deployment of an inspection team, as was done recently in Ghana.

11. Furthermore, IGO plans to inspect UNHCR operations in Kenya in the wake of the 2001 investigation into resettlement corruption and the resulting restructuring of the office and operation. The first half of 2003 will see inspections in Guinea, Liberia and Sierra Leone. These 'non-traditional' inspections are important to the Office, both to ensure that reforms have taken place and to draw global lessons learnt. They do however expand the current remit of inspections.

C. INVESTIGATION

12. The Inspector General is the focal person for investigation of alleged or suspected staff misconduct within UNHCR which includes misuse of funds, resources or facilities, abuse of authority and harassment, mistreatment of refugees or any improper conduct involving UNHCR staff or assets. Investigations are undertaken where there is reason to believe that a staff member has engaged in misconduct. If the assessment of the complaints or information of wrongdoings suggests that misconduct occurred, the Inspector General might decide that IGO will undertake the investigation, designate a responsible official within the Office, or refer the case to the Investigation Division of the UN Office of Internal Oversight Services (OIOS). Experts on specific subjects may be included in investigation teams. The outcome of each investigation is either an internal referral to initiate disciplinary action or closure of the case should the allegations prove unfounded.

13. During the reporting period, the Office received a number of complaints of alleged wrongdoing, including some which did not require investigation; others concerning minor misconduct; and some where an investigation did need to be undertaken. Eight preliminary investigations were undertaken directly by IGO, involving several staff members on allegations of harassment, mistreatment of refugees, fraud, corruption with respect to resettlement or misuse of UNHCR assets and facilities. IGO recommended disciplinary measures against a number of staff members, which led to sanctions against some, while a decision is pending in relation to others. Three staff members were cleared of the allegations against them. Four preliminary investigations are still ongoing. In addition, one investigation has been referred to the Investigation Division of OIOS (see paragraph 17).

14. The preliminary investigation into corruption within UNHCR Nairobi's resettlement activities which was referred to OIOS was concluded during 2001. A report to the UN General Assembly was issued in early 2002 and discussed at a meeting of the Fifth Committee in March 2002.

15. The revelation of the Nairobi corruption and the subsequent investigation have served as a wake-up call for the Office. Inadequate management and staffing and limited oversight at the Branch Office had created an environment vulnerable to corruption. Even before the conclusion of the OIOS investigation in Nairobi, allegations of resettlement corruption emerged in the course of an inspection in another country, to which IGO immediately fielded an investigation. This revealed another instance where poor oversight and the failure to strictly abide by protection and resettlement guidelines had led to corruption and exploitation. In this latter investigation, one staff member has been summarily dismissed while another remains suspended pending completion of disciplinary proceedings.

16. UNHCR's commitment to strong protection management oversight, sufficient qualified staffing, remedial and preventive measures will reduce the vulnerability of its resettlement programmes. The Department of International Protection (DIP), together with the Regional Bureaux and field managers, is working to improve refugee status determination and resettlement procedures and accountability globally. However, this vulnerability and the pressures on resettlement need to be seen against the backdrop of the intense demand for migration to developed countries. Many operations have taken remedial and preventive measures in the wake of the Nairobi scandal. For instance, the UNHCR office in Guinea, supported by DIP through its UNHCR/ICMC resettlement deployment scheme, has been proactive in reviewing its resettlement procedures. Faced with a number of vague allegations, Branch Office Conakry has undertaken a complete revision of its standard operating procedures for resettlement in order to provide greater transparency. In addition it embarked upon a registration exercise for all asylum-seekers and conducted an information campaign targeting both refugees and the public at large.

17. The allegations of sexual exploitation of refugee children in West Africa have received widespread media attention. Protection of the alleged child victims, remedial and preventive activities were prioritized and action initiated in December 2001. The investigation team was deployed to West Africa in mid-February 2002. This investigation is ongoing.

18. Sexual harassment in the workplace, like any other abuse of power, is of great concern to UNHCR because of its effects both on staff members personally, and also on the professional functioning of UNHCR operations. However, there are relatively few complaints lodged, possibly because the staff concerned may fear possible retribution, especially when the perpetrator is a supervisor or a more senior staff member. Three internal complaints of sexual harassment against UNHCR staff were investigated in the past year, one of which was determined to be without foundation, the second declared unproven and the third, instigated in 2002, was still under investigation. In two of these instances, issues concerning the procedural handling of the cases and differing understanding by staff members as to what sexual harassment means, sometimes influenced by local culture, gave rise to the initiation of measures designed to define and clarify this issue. In

collaboration with the staff welfare and human resources services, IGO will pursue discussions in order to disseminate clearly defined information concerning sexual harassment within the workplace.

19. Investigations were also undertaken into fraud and abuse of United Nations privileges and immunities. IGO conducted a preliminary investigation into a number of irregularities at one of its offices. Disciplinary proceedings are still ongoing. One of the contributing factors, however, of the alleged claims was an unclear policy on personal benefits. In 2002, IGO initiated one investigation into alleged abuse of import taxes immunity. The investigation is still ongoing.

IGO strategy for investigations

20. In the last 12 months, IGO has spent a large amount of time on redefining the strategy and framework for investigations. As a result, a new Investigation Unit is being set up, which will comprise a head of unit, two senior investigation officers and an investigation assistant. Aside from conducting investigations, the aim is for the Unit to establish internal co-ordination mechanisms and inter-agency collaboration, as well as ensuring a systematic recording of complaints, analysis and referral procedures. The unit will cooperate with others on preventive actions, notably with respect to fraud awareness and vulnerability or risk assessment, as well as on developing or improving measures to pre-empt wrongful acts. It is anticipated that this Unit will be in place by the end of July.

21. UNHCR and the Office of Internal Oversight Services (OIOS) propose to sign a Memorandum of Understanding to clarify and formalise the terms of co-operation in investigations between the two offices. The MOU is likely to be signed in the second semester of 2002 It will be based on the understanding that IGO remains the focal point for investigations in UNHCR, but uses OIOS' services and expertise to ensure the timely completion of complex investigations. An Inter Office/Field Office Memorandum was recently issued to elaborate on the role of IGO, emphasising in particular its role in relation to investigations. IGO is developing a database to provide a central recording facility for all complaints alleging misconduct in order to help manage investigation cases and analyse information. To ensure standard investigations throughout the Office, an Inspection Handbook will be released later this year. This will outline the different steps of the investigation process. An assessment of IGO investigation activities will be carried out within the next 12 months. This assessment will help to further enhance IGO's investigation function and to ensure consistent, prompt and appropriate responses.

SECTION III

GENERAL AUDIT

General

1. The UNHCR Audit Service of the Office of Internal Oversight Services (OIOS) assumes the internal audit function for UNHCR on the basis of a Memorandum of Understanding of 24 July 2001. The annual audit plan is developed in close consultation with UNHCR management, the UNHCR Oversight Committee and in coordination with the United Nations Board of Auditors. It includes periodic reviews of country operations, aiming at achieving a regular audit cycle of UNHCR's operations, with the frequency of the review determined by a risk-based approach. In the selection of country operations to be audited, special attention is given to Emergency Operations.

2. For the Afghan Operation, given its magnitude and the risks involved, OIOS and UNHCR have agreed to establish a Resident Audit team, currently based in Islamabad, in order to ensure continuous audit coverage and to provide advice to the managers of the operation on effective internal controls.

3. For field operations, OIOS, normally in conjunction with a Headquarters audit, focuses each year on a specific support function in order to determine systemic issues, and assess and benchmark operations. For 2001, OIOS focused on asset management; for 2002, procurement has been chosen. At Headquarters, in-depth reviews of certain functional areas, programmes or systems are conducted to assess operational effectiveness and aptness of policies and procedures. To get a better understanding of how UNHCR's major partners operate, OIOS undertakes reviews at the Headquarters of International NGO partners to assess their systems and procedures. Further, in an advisory capacity, OIOS provides guidance, assistance, and contributes to the development of UNHCR's policies and procedures.

Audits during the reporting period

4. During the period 1 July 2001 through 30 June 2002, OIOS audited operations in 32 countries, as follows: Africa (Angola, Burundi, Central African Republic, Republic of the Congo, Eritrea, Gabon, Guinea, Namibia, South Africa, Sudan, Uganda and the Regional Directorates); CASWANAME (Algeria, Iraq, Jordan, Pakistan and Syria); Asia and the Pacific (Australia, India, Japan and Nepal); Europe (Albania, the Baltic States - Estonia, Latvia and Lithuania -, Belarus, Bosnia and Herzegovina, Croatia, Czech Republic, Georgia, The former Yugoslav Republic of Macedonia, Poland, the Russian Federation and Turkey) and the Americas (USA). At Headquarters, OIOS audited the Albert Einstein Academic Scholarship Programme for Refugees (DAFI), UNHCR's 50th Anniversary activities, asset management, and as part of a system-wide audit of United Nations internal audit services, the submission of separation documents by UNHCR to the United Nations Joint Staff Pension Fund. OIOS also continued its reviews of UNHCR's major international implementing partners, with reviews conducted in Asia, Australia, Europe and the USA.

5. In total, for the period under review, audits by the UNHCR Audit Service covered operations and activities amounting to $245 million, or 31 per cent of UNHCR's total expenditure of $783 million in 2001. The Audit Service

issued 34 audit reports to senior management and more than 100 audit observations to managers in the field. Overall, UNHCR has been timely in responding to audit reports and audit observations, and in addressing the issues raised by OIOS.

6. As a result of these audits, savings and recoveries totalling approximately $3.1 million were recommended. Actual savings and recoveries during the period, resulting from audits during the current and prior reporting periods, totalled some $1.7 million. The process of recovery is ongoing and may extend over several years.

Implementing Partners

7. OIOS continued to prioritize its review of implementing partners to assess their ability to manage UNHCR project activities. UNHCR delegates to these partners a significant portion of funds, which in 2001 amounted to $283 million, representing 36 per cent of UNHCR's total expenditures or 66 per cent of the operational expenditures.

8. OIOS found that for nearly 80 per cent of the partners audited (accountable for 85 per cent of the expenditures audited), reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the sub-agreements. In most cases, however, OIOS had to re-emphasize the need for strengthening internal control policies and procedures to ensure the orderly and efficient conduct of programme activities. For those partners that did not have adequate systems and procedures (or where the reliability and integrity of information presented could not be assured), OIOS re-iterated the need for UNHCR to provide adequate support and more intensive training, guidance and supervision, as well as more careful scrutiny and assessment of partners prior to their selection.

9. Also, in order to obtain a better understanding of how UNHCR's major partners operate, OIOS continued to carry out reviews at the headquarters of international implementing partners to assess their systems and procedures, and provide advice and recommendations on how to ensure compliance with UNHCR requirements. The results of such reviews are documented in a database, which is expected to assist UNHCR in the selection of future partners.

Project Monitoring

10. In 2001 and 2002, OIOS focused on assessing UNHCR's project management, in particular, financial and performance monitoring of implementing partners' activities. This was an area of weakness highlighted by the Board of Auditors in its report on the financial statements of UNHCR for the period ending 31 December 2000 (A/56/5/Add.5). In some country operations, considerable improvement was needed to verify the use of UNHCR funds, and systematically monitor and measure the impact of project implementation. Even in operations where project monitoring was competently performed, the approach was not always efficient, focusing too much on a review of transactions rather than an assessment of systems. OIOS recommended that clearer and more detailed project monitoring and verification guidelines be developed. OIOS assisted UNHCR in developing a new strategy, which stressed the importance of periodically assessing the reliability of partners' accounting and budgetary control systems, as well as the effectiveness of internal control procedures. New, and more comprehensive guidelines have been issued by UNHCR to ensure a consistent and coherent approach.

Audit Certificates

11. In its report on the financial statements of UNHCR for the year ended 31 December 2001, the United Nations Board of Auditors concluded that the rules and practices for audit certification of UNHCR implementing partners were not satisfactory and did not provide UNHCR with assurance that funds were properly used. The Board pointed out that in most cases, the audit certificates, when received, did not make any reference to the financial reports audited. The Board recommended that UNHCR assess the feasibility and cost effectiveness of adjusting present audit requirements, and that it define, with the assistance of OIOS, and provide guidance on the audit requirements for government audits. OIOS will assist UNHCR in developing standard requirements and terms of engagement for such audits, and in further developing and strengthening the policies for implementing partner audit certification in general. In that regard, OIOS will also cooperate with the internal audit services of other United Nations agencies facing similar problems with projects under national execution or implemented by partners.

Value Added Tax

12. In its 1999 Annual Report (A/54/393, paragraph 54), OIOS reported on instances where UNHCR encountered difficulties asserting its rights for tax exemption or tax refund under the 1946 Convention on the Privileges and Immunities of the United Nations (1946 Convention). Payment of Value Added Tax (VAT) on UNHCR official purchases continues to be a problem, and OIOS is concerned that significant funds are absorbed by taxation and thus lost for the intended humanitarian purposes. In four country operations alone, OIOS found an estimated $3 million of VAT was recoverable. According to Article II Section 8 of the 1946 Convention, although the United Nations will not, as a general rule, claim exemption from taxes on goods which form part of the purchase price (such as VAT), member States will nevertheless make administrative arrangements for the remission or return of such taxes when the United Nations makes important purchases for official use. It is generally accepted that any purchase in excess of the equivalent of $100 is considered as important.

13. OIOS found, however, that VAT has not been refunded for various reasons, such as failure of the government to make appropriate arrangements for the refund; restrictive national legislation concerning the definition of important purchases and official use; and the failure of UNHCR offices to make proper and timely arrangements for claiming the refund of taxes. The findings in the four countries reviewed are summarized as follows:

- In one country, UNHCR paid some $1.9 million of VAT without obtaining a tax refund on local purchases of humanitarian goods such as food, blankets and sleeping mats under 1999-2001 emergency projects for the assistance of Internally Displaced Persons. While the government concerned has not disputed UNHCR's entitlement to a refund of the taxes, it has so far not established any administrative arrangements to ensure that VAT is refunded. UNHCR's efforts, even at the highest level, to obtain a tax refund, have not been successful. OIOS recommended that UNHCR intensify its efforts and seek the support of the Secretary-General to obtain a clear and unambiguous VAT refund

process from the government, in line with the 1946 Convention, as well as reimbursement of the VAT already levied;

- In another country, a 1999 OIOS audit had found that UNHCR was paying, without refund, significant taxes on fuel purchased through an implementing partner. After seeking advice from the Office of Legal Affairs, OIOS recommended that future fuel purchases be made directly by UNHCR in order to qualify for the VAT refund. A 2002 OIOS audit found that UNHCR had changed the procurement procedure, as recommended, and thus qualified for refunding of the taxes paid. However, due to coordination problems within the UNHCR country office concerned, UNHCR had not submitted any claims for tax refund. As a result, some $550,000 tax refunds for 2000 and 2001 were still outstanding and may have been lost due to the closure of the country's fiscal years. An additional $140,000 cannot be recovered as one partner continued to be delegated the responsibility to procure fuel, contrary to OIOS' advice. OIOS recommended that immediate action be taken to claim a refund for the $550,000 paid in 2000 and 2001, and to ensure that future claims for tax refunds are filed on time.

- An OIOS audit in 2000 found that a country had changed its tax legislation, thereby limiting the refund of VAT to only certain types of goods, such as vehicles and computer equipment, and establishing various thresholds for important purchases. For instance, the threshold established for office equipment and furniture was $600 per invoice. As a result of this new policy, $350,000 of VAT levied on past purchases was no longer recoverable and will have to be written off, and additional losses will be incurred in the future. OIOS concluded that the tax regulations in place do not comply with the 1946 Convention, and recommended that UNHCR bring the matter to the attention of the Office of Legal Affairs to raise the issue with the national authorities concerned.

- A country introduced VAT on goods and services in late 2000. An OIOS audit conducted in late 2001 found that the UNHCR country office concerned had not established proper procedures to ensure timely and systematic recovery. The accumulated VAT payments not claimed exceeded $60,000. On OIOS' recommendation, a system has been established to ensure reimbursement, however, as of June 2002 no refund had been obtained for the VAT already paid. OIOS requested that UNHCR continue to pursue this matter with the government concerned.

14. OIOS wishes to recall that in the case of outstanding VAT refunds for procurement undertaken during the Kosovo Emergency, as reported in the OIOS Report on the Audit of UNHCR Operations in Albania (A/56/128 of 3 July 2001), UNHCR succeeded in obtaining refunds of some $70,000. Thus, persistent follow-up efforts should eventually yield results.

15. Also in certain countries, tax privileges are not always extended to UNHCR's partners, who are subject to VAT of up to 25 per cent on local purchases. OIOS found that in these countries, some partners were tax-exempt, while others were not. Often it was because they had not aggressively sought reimbursement. In other instances, partners were tardy in their submission of

VAT reimbursement claims. OIOS estimated that over $150,000 was paid in VAT for the ten partners in the four countries sampled. This amount, although notable, does not reflect the full extent of the problem. OIOS recommended that UNHCR make further efforts to extend VAT exemptions to implementing partners, noting that positive results could be achieved if exemptions are actively pursued. Alternatively, if VAT exemption for partners is not feasible, the cost-benefit of delegating local purchasing to partners should be reviewed.

Project Staff

16. OIOS' review of the use of non-UNHCR 'Project Staff' determined that more than 900 persons under this category were working for UNHCR. Generally, another employer recruited these staff, even though UNHCR normally selected, fully funded, and directly controlled and supervised them. The subject of Project Staff has been an issue of concern within UNHCR for several years, and OIOS recommended that it be effectively addressed. In response, UNHCR decided to phase out Project Staff in favour of either creating the necessary regular posts, or by establishing genuine implementing partner arrangements. The implementation of this recommendation is still in progress.

The Albert Einstein Academic Scholarship Programme for Refugees

17. The Albert Einstein Academic Scholarship Programme for Refugees (DAFI) was well managed by UNHCR at Headquarters. However, it was difficult to assess the overall impact of the programme or measure its effectiveness, as adequate statistics were not available in terms of employment opportunities obtained by graduates benefiting from the programme. In view of increasing funding constraints and to enable more students to benefit from the programme, OIOS recommended concentrating the programme on study subjects with a high probability for future employment; limiting the duration of study; and discontinuing financial support for post-graduate studies and studies in high-cost education institutions. In response to OIOS' recommendations, UNHCR has revised the programme guidelines and selection criteria.

Asset Management

18. Asset management has repeatedly been highlighted as a problem area for UNHCR. OIOS' review of asset management at UNHCR Headquarters, in conjunction with field audits, confirmed that more improvement is still required. The audit covered assets with an acquisition cost of $193 million and a current value of $54 million. In view of a number of discrepancies found, OIOS could not ascertain the completeness and accuracy of the data presented. For example, a default value was used for about 4,000 assets, resulting in the acquisition cost and current values being understated by $15.7 million and $4.9 million, respectively.

19. Implementation of the new asset tracking system "AssetTrak", which had been launched in May 2000, was still not completed by mid-2001, particularly with regard to assets under the custody of implementing partners. OIOS recommended that further efforts be made to have a fully functional and reliable tracking system for UNHCR assets worldwide. OIOS further recommended that UNHCR management re-design asset management procedures (including disposal procedures, which are often cumbersome and uneconomical). UNHCR has developed comprehensive new policy

and procedure guidelines to ensure that information is more reliable and disposal procedures are more efficient.

UNHCR's 50th Anniversary

20. OIOS found that the 50th Anniversary celebrations, which culminated in the central event on 14 December 2000, were successful and met the expectations of raising awareness to the refugee situation. However, since no comprehensive plan and budget had been prepared for the 50th Anniversary activities, it was difficult to obtain consolidated data on the actual expenditure incurred or to measure the level of achievement against overall objectives. As recommended by OIOS, UNHCR assessed the level of achievement of objectives and prepared a final report on the 50th Anniversary activities, which can be used as a tool to disseminate the lessons learned.

General Assembly Reports

21. The report of OIOS on the Audit of UNHCR Private Sector Fundraising Activities (A/56/759 of 27 December 2001) highlighted that policies and procedures for private sector fund-raising needed to be more clearly defined in certain areas and developed in others, to improve economy and efficiency and to ensure activities were directed in a consistent and coherent manner. Self-sustainability is a key indicator for any fund-raising operation, but neither this factor nor the achievement of financial targets, were explicitly established as objectives for most of the private sector fund-raising operations. Also, the methodology for calculating the return on investment, the most important indicator to measure the success of any fund-raising operation, needed to be determined to increase the value of analytical comparison and allow more informed decision-making.

22. In response to the issues raised and recommendations made by OIOS, UNHCR has revised its fund-raising guidelines and defined policies and procedures for cooperation with National Associations. A global framework, aimed at achieving self-sustainability has been developed, financial targets established, and return on investment has been defined. This framework will be consistently applied.

Planned audit activities

23. During the remainder of the year 2002, OIOS plans audits in Botswana, Canada, the Democratic Republic of the Congo, China, Djibouti, Indonesia, the Islamic Republic of Iran, Liberia, Rwanda, and Yugoslavia including Kosovo. At Headquarters, OIOS will continue its review of staffing of emergency operations. Further, the procurement function will be reviewed, as well as the use of United Nations Volunteers by UNHCR and the budgetary control of project expenditure.